

The Governor's Report – December 2023

The Governor's Report for December 2023 provides an overview of key activities of the Central Bank concerning the implementation of objectives and tasks defined by the Central Bank of Montenegro Policy for 2023, on monthly level.

In December, activities of the Central Bank were conducted pursuant to the planned obligations determined by the Central Bank of Montenegro Work Programme for 2023.

According to preliminary Monstat data, based on quarterly assessments, real annual GDP increased by 6% in 2023 in relation to 2022. In all quarters of 2023, real increase was recorded: 6.2%, 6.9%, 6.6% and 4.3%, in relation to the same quarter of 2022.

In December 2023, consumer prices were 0.5% lower in relation to the previous month, and 4.3% higher y-o-y.

In 2023, industrial output recorded the year-on-year increase of 6.4% according to preliminary MONSTAT data. Production increase was recorded in electricity, gas and steam supply sector and the mining and quarrying sector of 26.2% and 3.9%, respectively, while manufacturing industry recorded output decline of 6.1%.

According to preliminary data, the number of tourist arrivals in collective accommodation establishments amounted to 1.44 million euros in 2023, which is 23.17% more than in 2022. Overnight stays reached 5.12 million, which represents a growth of 18.75%. Both foreign and domestic tourist arrivals increased, by 24.62% and 20.41%, respectively.

MONSTAT's preliminary data indicate that passenger transport in 2023 recorded significant year-on-year growth in most types of passenger transport. Railway transport rose by 9.8%, road transport rose by 8.4% while air passenger transport rose by 30.6%.

In 2023, according to preliminary Monstat data, construction recorded a decrease of 7.9% y-o-y, measured in terms of the value of executed construction works, as well as a decrease of effective working hours of 4% y-o-y.

In December 2023, the average number of employed persons amounted to 246,449, or by 0.22% less compared to the previous month and by 8.50% more in relation to December 2022. The number of unemployed persons in Montenegro in December 2023 was 39,942, which represents a decrease of 1.08% compared to the previous month, and a decrease of 14.28% compared to December 2022.

The total number of economic entities that are listed as active in the Central Register of Economic Entities, and that have active accounts in the Central Register of Transaction Accounts as of 31 December 2023, amounted to 62,766, of which 16,511 or 26.30% were blocked. Compared to the previous month, the number of blocked business entities decreased by 0.01%, while compared to the same month of 2022, its growth stood at 2.54%. At end-December 2023, the total amount of debt used as the basis for the blocking of accounts amounted to 1,158,556,387.40 euros, showing a monthly and the annual increase of 0.99% and 19.25%, respectively.

Of the total number of blocked economic entities on 31 December 2023 (16,511), there were 1,363 economic entities in continuous blockade for up to 365 days, whose blockade amounted to 28,979,910.78 euros, which is 2.50% of the total amount of blocked economic entities, while there were 15,148 economic entities in continuous blockade for more than 365 days with blocked amount of 1,129,576,476.62 euros, which makes 97.50% of the total amount of blocked funds of economic entities.

Debt concentration as at 31 December 2023 was relatively high, because the 10 largest blocked economic entities (0.06% of the total recorded blocked economic entities) accounted for 29.99% of the total debt on the basis of which accounts were blocked. In addition, 50 of all blocked economic entities (0.30%) accounted for 51.78% of the total debt used as the basis for account blockage.

Banks' total assets at end-December 2023 amounted to 6,734,26 billion euros, which represents the annual growth of 330 million euros or 5.15%. In the structure of assets, the dominant position was occupied by loans, which at the end of December 2023 amounted to 4,095.21 million euros, and compared to December of the previous year, they recorded growth of 11.89%, while compared to the previous month, they grew by 0.25%.

Past due loans (without interests, and prepayments and accruals) amounted to 114.98 million euros at end-April 2023, which is the year-on-year decrease of 20.39% and 15.32% decline in relation to the previous month.

At end-December 2023, non-performing loans (without interests, and prepayments and accruals) amounted to 205.59 million euros and made up 5.02% of total loans. They recorded a 1.67% decrease year-on-year and they dropped by 0.79% compared to April 2023.

In December 2023, banks' deposits amounted to 5,473.18 million euros recording a y-o-y growth of 4.76%, and a monthly decrease of 0.51%. Total capital of banks at end-December 2023 amounted to 820.25 million euros, which is a year-on-year increase of 21.43% and an increase of 0.52% in relation to the corresponding period of the previous month.

The weighted average lending effective interest rate (WALEIR) on total loans granted amounted to 6.59% at end-December 2023, which represents a y-o-y increase of 0.67 pp and the monthly increase of 0.03 pp. The WALEIR on new loans amounted to 6.51%, recording the year-on-year drop of 0.04 pp and a 0.01 pp decrease month-on-month. The weighted average deposit effective interest rate (WADEIR) amounted to 0.21%, recording a year-on-year decrease of 0.04 pp and the monthly growth of 0.01 pp.

At end-December 2023, reserve requirement of banks amounted to 290.63 million euros, which represents a y-o-y growth of 27.56 million euros or 10.47%, while it recorded a monthly decline of 1.42 million euros or 0.49%. During December 2023, all banks allocated and maintained reserve requirements within prescribed limits. Of the total amount of reserve requirement, 71.33% was allocated to the account of reserve requirement in the country, while 28.67% was allocated to the account of the CBCG foreign accounts.

In 2023, gross insurance premium was 119.45 million euros. Non-life insurance premiums accounted for the main share in its structure with 80.22%, while invoiced life insurance premiums accounted for the remaining 19.78%.

The generated turnover on the Montenegro Stock Exchange amounted to 12.26 million euros during the reporting period, achieved through 1,753 transactions and being 29.54% lower in relation to the same period of the previous year. Market capitalisation as at 31 December 2023 amounted to 2,523.02 million euros, recording an annual decrease of 29.15%, but also a monthly fall of 0.14%.

At the same time, the MONEX SE index stood at 15,583.13 index points, recording annual growth of 10.21% and monthly decline of 0.24%. The MNSE10

SE index amounted to 1,063.32 index points, recording annual increase of 5.36% and a monthly decrease of 0.56%.

According to the Ministry of Finance preliminary data, source revenues of the budget in 2023 amounted to 2,566.40 million euros and they were 5.93% higher than planned and 28.62% higher year-on-year. Budget expenditures reached 2,556.10 million euros and they were 3.14% lower than planned and 13.82% higher at the annual level. The fiscal surplus reached 10.30 million euros or 0.15% of the estimated annual GDP.

At end-December 2023, according to the Ministry of Finance data, government debt of Montenegro amounted to 4,126.81 million euros or 60.27% of GDP. Of this amount, domestic debt accounted for 542.62 million euros or 7.92% of GDP, the external debt accounted for 3,517.29 million euros or 51.37%, while the debt of local self-government units accounted for 66.90 million euros or 0.98% of GDP. The net state debt of Montenegro amounted to 58.04% of GDP.

In December, the Central Bank continued with the activities aimed at meeting the requirements on the road towards Montenegro's accession to the EU. As part of the implementation of the second phase of the IPA regional project, CBCG participated at the sixth meeting of the project's Steering Committee. In connection with the activities within component II of the project, an expert mission of the Croatian National Bank was carried out. As part of bilateral technical cooperation with partner central banks, an on-line meeting was held with an expert from the Bank of the Netherlands.

With a view to fostering and maintaining a sound banking system, Montenegro's banking sector was subject to continuous supervision and analysis. International reserves were managed in line with the principles of liquidity and safety. Activities regarding the Central Bank's function of the fiscal agent were also successfully performed. RTGS and DNS systems availability amounted to 100% in December.

In line with the highest transparency standards, the general public was timely informed about the activities, objectives, and results of the CBCG operations via media releases, publications, web presentations, and media appearances. Pursuant to the Payment System Law, the Central Bank continued to publish on its website the information on legal entities and entrepreneurs whose accounts were blocked.